Montana Department of Revenue

EXHIBIT NO. 5
DATE 1-13-09
BILL NO. HB2

Dan Bucks
Director

Brian Schweitzer
Governor

Wednesday, December 17, 2008

<Owner Name>
<Address1>
<Address2>

Dear Landowner:

Your attention to this letter will help ensure the accurate tax assessment of your land.

Once every six years, the Montana Department of Revenue is required by state law to conduct a reappraisal of all lands in the state. We are asking for your assistance as we complete the reappraisal of all agricultural and forest land by the end of 2008. Please take this opportunity to help us make an accurate appraisal of your property.

We have enclosed photomaps that represent our understanding of your current land use (classification) and the estimated productivity (yield) of your agricultural and/or forest land based on average management practices. We will use this information as we determine the new appraisal values for your property taxes that will be effective on January 1, 2009. Please review these photomaps for accuracy.

If you own the land but someone else farms or ranches for you, you may wish to forward the maps and information to the operator.

Agricultural Land

The 2005 and 2007 Montana Legislatures provided funding that enabled us to review agricultural land more comprehensively than in any other reappraisal since the 1960s.

We base our determination of agricultural land on classification and estimated productivity using field boundary lines provided by the Farm Service Agency, aerial photography, on-site reviews, interviews with landowners, as well as input from an Agricultural Land Valuation Advisory Committee (comprised of producers from around the state and others knowledgeable about farm and ranch practices).

If your land is irrigated, we have also enclosed a questionnaire regarding your irrigation related energy costs. State law allows you to receive an energy cost deduction that could result in a lower assessed value. Please return the questionnaire to us within 30 days.

Forest Land

We base our determination of commercial forest land on classification and estimated productivity using statutory minimum requirements, aerial photographs and on-site reviews.

Your Review and Input

If you believe the photomaps are accurate and no updates or corrections are needed, you do not need to contact us. Simply keep the photomaps for your records.

If you believe the photomaps are not accurate due to an error in our classification, field boundary, estimated productivity and/or the number of acres:

- Please call our local appraisal office at the number shown below and someone will be able to answer your questions or arrange for a review; or
- Bring the photomaps, along with your concerns, to your local Department of Revenue office within 30 days. The contact information is:

Montana Department of Revenue
712 West Main Street
Lewistown, MT 59457-2599
406-535-5723

We will investigate your concerns and notify you of the results.

If you own irrigated land, please return the Irrigated Land Questionnaire to your local office.

Appeal Process

This packet serves as an informal review process that allows you to work with the local appraisal staff to ensure the accuracy of our information. By carefully reviewing the enclosed materials, you may avoid any need for a formal appeal.

When you receive your assessment notice in June 2009, you will still have the right to request a formal appeal to address any concerns that might affect the value of your property. You can obtain these appeal forms at the County Clerk and Recorder's office or at the State Tax Appeal Board (STAB) website at stab.mt.gov/pdf/appealform.pdf.

Thank you for taking the time to assist us as we complete this reappraisal. With your help, we will have the most complete understanding of agricultural land in the state in almost 40 years.

We will be happy to help you if you have any questions. Please call or visit your local Department of Revenue office.

Sincerely,

June Krausz
Appraiser
Fergus County
406-535-5723

Agricultural and Forest Land Information/Instructions

Steps in Agricultural and Forest Land Valuation

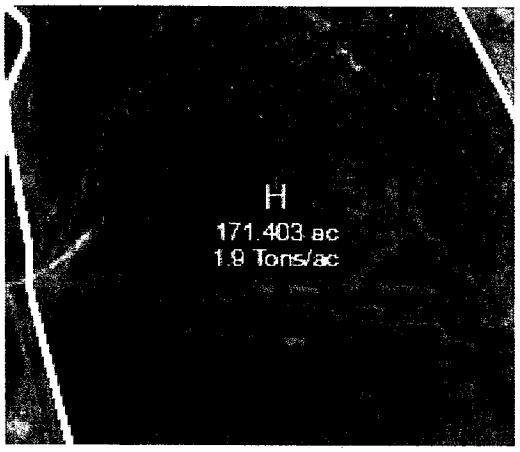
The Montana Department of Revenue takes these steps to establish land value.

1. Determine the current use of the land;
2. Based on current use and average management practices, estimate the per-acre productivity of the land. Productivity estimates are determined through use of the Natural Resource Conservation Service (NRCS) soil survey for the particular area or through use of the University of Montana forest land productivity model.
3. After a review and input from the landowner, determine the per-acre value of the land based on the use and estimated productivity. Commodity price information for determining the per-acre value is a seven year Olympic average of prices, where information about the high and low years is removed and information from the remaining five years is averaged. Specifications for the calculation of per-acre value are outlined in Montana law.

Reviewing Your Property Information

The following information should help you as you review the enclosed photomaps for accuracy. Each photomap displays the boundary for a parcel in your ownership. Within the ownership boundary, we've identified field boundaries indicating the use of the land, the number of acres contained in that field and the average productivity of that field. Because many legal descriptions describe acreage to three decimal places (1/1,000 of an acre), our calculation of acres per field is also carried out to three decimal places. Our determination of acres is based on the legally described ownership acres and won't necessarily match other acreage information such as Farm Service Agency (FSA) field maps.

Within each particular field of your ownership, you will see a letter indicating the land use, the total number of acres in the field and a number representing the average productivity. For example:



- a letter **"H"** indicates we've determined that the field is used as non-irrigated hay land.
- a number **"171.403"** followed by "ac" would indicate that there are 171.403 acres in the field.
- a number **"1.9"** followed by "Tons/ac" indicates that under a non-irrigated hay land use, we've determined that the average productivity of the particular field is 1.9 tons of alfalfa per acre.
- If you have commercial forest land on your property, you'll see a designation "T" followed by a Roman numeral (I, II, III, IV, V). The Roman numeral is an indication of the "grade" of forest land. I is the most productive and V is the least productive.

Land Use (Classification)

There are five classes of agricultural use and one forest land classification. We are required to classify every acre of agricultural land into one of the five use classes and to identify and classify each acre of commercial forest land.

On the photomaps, you will see one of the symbols shown below that indicates our classification of your land within each field boundary. Where field boundaries are not displayed, such as with grazing land and forest land, the land use symbol is still shown for the general area. A summary of the acreage by each use type also appears on the photomap pages. The classes and symbols identifying land uses on the photomaps are:

Agricultural Land

G = **Grazing land** – native range or domestic pasture land. Grazing land is the most common land use in the state and is generally used for raising livestock. However, we include land in this class when it can't be classified as one of the other uses. For example, the hills and coulees that are generally interspersed among summer fallow lands are usually classified as grazing land, even though they may not be used for livestock production.

F = **Non-irrigated summer fallow farm land** – dry land farming where the typical land use in the area is to leave the land idle (fallow) every other year. This class also includes areas that are cropped two or three years in a row due to market conditions, re-cropping or when there is adequate rainfall. In some cases, producers may also plant alfalfa hay or a green manure crop as a regular part of the crop rotation to restore some productivity. Based on the Administrative Rules of Montana, lands enrolled in the Conservation Reserve Program are also considered summer fallow farmland.

I = **Tillable irrigated farm land** – land that's irrigated during the majority of years. The land must have an adequate supply of water to accomplish irrigation in most years and the water must be used for irrigation purposes. The method of irrigation is identified as flood (I/F), sprinkler (I/S) or pivot (I/P) irrigation.

H = **Non-irrigated hay land** – also called dry land hay or wild hay. These are lands that are used to grow non-irrigated alfalfa hay and/or domestic or native grasses that are cut for hay during the majority of years.

C = **Non-irrigated continuously cropped farm land** – land that has adequate moisture and soil composition to grow crops without irrigation on a yearly basis. This land is primarily found in the Flathead Valley of northwestern Montana and it must be the prevailing agricultural use of the area.

Forest Land

T = **Commercial forest land** – land that meets the statutory minimum requirement is classified as commercial forest land. The minimum requirement is that the parcel contains at least 15 contiguous acres of forest land that produces wood products in commercial quantities. A commercial quantity of wood products is a minimum of 100 board feet of wood per acre.

Productivity (Yield)

Once the land use has been identified, the next step is to estimate the productivity (yield) for each acre of land. Our estimates of productivity are based on average management practices. To ensure a consistent approach statewide, we use information from the Natural Resources Conservation Service (NRCS), Montana Agricultural Statistics Service and the University of Montana College of Forestry and Conservation. On the enclosed photomaps, you'll see an average production figure for each identified field. The following information explains the commodities that are used to estimate the productivity for each of the classes:

Agricultural Land

G = **Grazing land** – the productivity is the carrying capacity of the land. Carrying capacity can be expressed in many ways: AUMs, cow days, au, etc. We use the expression "animal unit months per acre" (AUM/Ac) to describe our estimated carrying capacity. In general, AUM/Ac means that an animal unit (1000 lb animal or a cow with calf) can graze on an acre of land for a portion of a month. The AUM figure that's displayed on the photomap is a summary of the AUM/Ac calculation which, in turn, is based on the underlying soil survey information. The easiest way to determine if our productivity is accurate is to divide the AUM on the photomap by the number of animal units you graze on the land. The result will provide an estimated number of months that the land can be grazed. Or you can divide AUM by the number of months that you typically graze the livestock and that result is the number of animal units supported for that period of time based on our estimated productivity.

F = **Non-irrigated summer fallow farm land** – because of its statewide production potential, the number of bushels of spring wheat per acre (bu/Ac) is the base crop used for estimating the productivity of summer fallow lands. While many acres of summer fallow land also produce barley, winter wheat, canola, safflower, durum and other small grains, spring wheat is the only small grain crop that can be grown in all locations of Montana. That doesn't mean that it *is* grown in all locations, only that it *can* be grown. Yield estimates have also been adjusted for, and now reflect, the 12 year county average of spring wheat production. The productivity figure displayed on the photomap is the weighted average production for the particular field.

I = **Tillable irrigated land** – the basis of productivity is the estimated number of tons of alfalfa hay that can be grown per acre (T/Ac). Although many other crops are grown under irrigation (sugar beets, potatoes, malt barley, corn, beans, etc.), alfalfa hay is the most common. The productivity figure displayed on the photomap is the weighted average production for the particular field. The grazing of livestock following the last cutting of hay should be included in an estimate of productivity. We estimate that "grazing aftermath" will increase production by 25% to 33%. Please consider this when reviewing your productivity estimate.

H = **Non-irrigated hay land** – the basis of productivity is the estimated number of tons of alfalfa hay that can be grown per acre (T/Ac). Alfalfa hay is the most commonly grown hay mixture of dry land hay. The productivity figure displayed on the photomap is the weighted average production for the particular field. The grazing of livestock following the last cutting should be included in an estimate of productivity. We estimate that "grazing aftermath" will increase production by 25% to 33%. Please consider this when reviewing your productivity estimate.

C = **Non-irrigated continuously cropped farm land** – the basis of productivity is bushels of spring wheat per acre (bu/Ac). Although a wide variety of crops can be grown, we use spring wheat for determining the estimated productivity of these

lands because of its statewide production potential. For land to be considered as continuously cropped farm land, the practice of farming the land year after year after year is the accepted and common practice for the area. The productivity figure displayed on the photomap is the weighted average production for the particular field.

Forest Land

T = Commercial forest land – the basis of productivity is the number of board feet per acre (bf/Ac). A Roman numeral (I, II, III, IV, V) indicates the "grade" of the forest land. Each grade reflects a certain range of forest land production. Grade I (excellent) = more than 400.1 board feet per acre (bf/ac); Grade II (very good) = 325.1 to 400 bf/ac; Grade III (good) = 250.1 to 325 bf/ac; Grade IV (average) = 175.1 to 250 bf/ac; and Grade V (fair) = 100 to 175 bf/ac.

Your Review and Input

If you believe our information is not accurate, please call or visit your local DOR office. Tell us your concerns using the photomaps. We will investigate your concerns and notify you of the results.

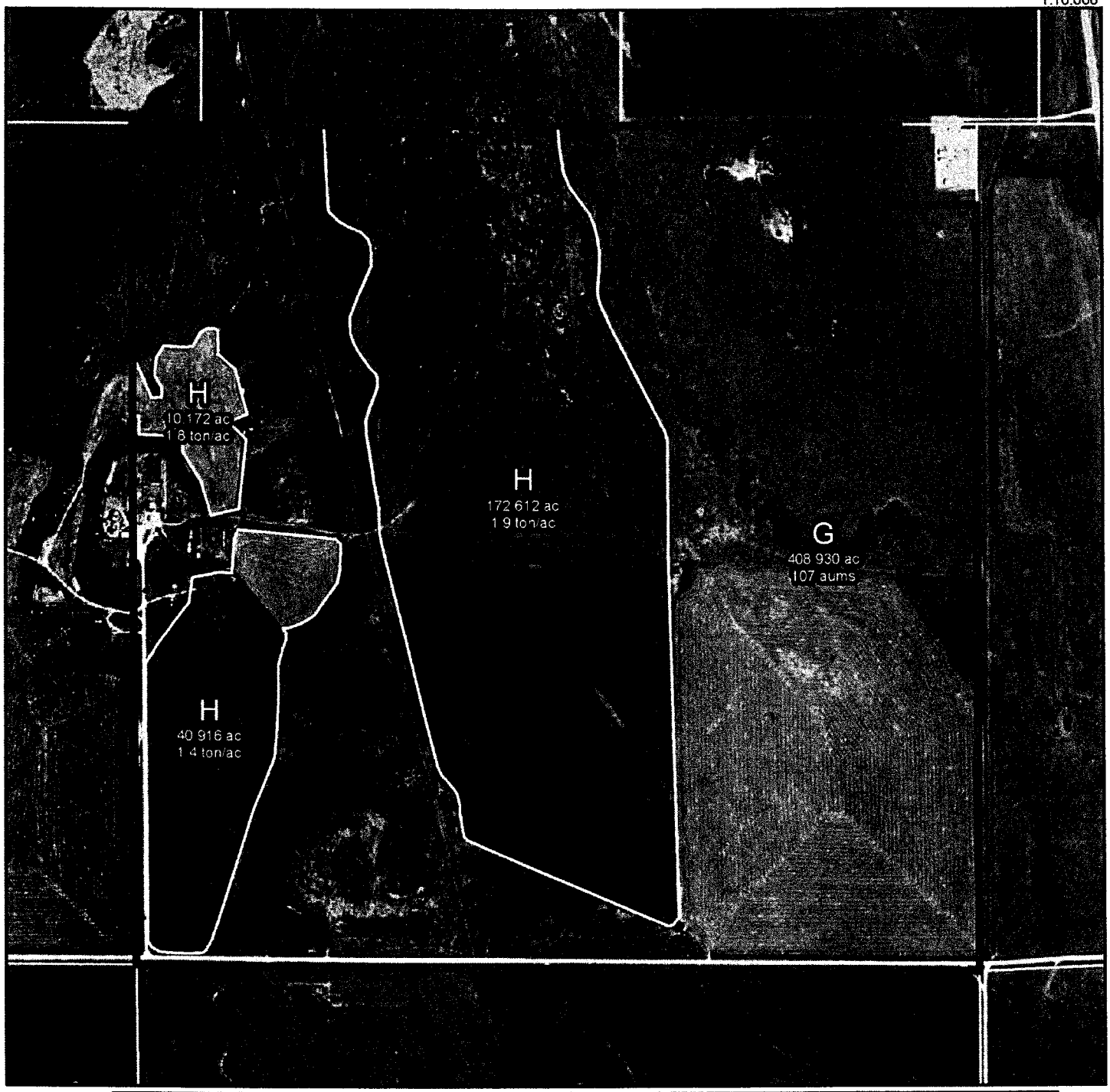
Your Appeal Rights

After receiving an assessment notice in June of 2009, if you believe the information is in error you can:

- Contact the local appraisal office and review the property with them. NOTE: This informal review process can resolve many issues without the need for a county tax appeal;
- Ask for a review by the local County Tax Appeal Board (CTAB) for each county in which you own property;
- Appeal to the State Tax Appeal Board (STAB) if you are dissatisfied with the CTAB decision;
- Appeal to state district court if you are dissatisfied with the STAB decision.

Montana Department of Revenue - 2009 Proposed Reappraisal Classification - Fergus County

1:10,000



Ownership Boundary Homestead Land Use

Land Use Symbols:
G: Grazing F: Fallow H: Hay C: Continuously Cropped T: Forest
I/F : Flood Irrigated I/S: Sprinkler Irrigated I/P: Pivot Irrigated

Owner:	Owner Name
Parcel ID:	08123456789012345
Twnshp/Rng/Sec:	T12 N R15 E S01

Total Wild Hay Acres: (H):	223.70
Total Grazing Acres: (G):	408.93
Total Parcel Acreage:	**632.6**

Montana Department of Revenue - 2009 Proposed Reappraisal Classification - Fergus County

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Total Wild Hay Acres: (H):	223.70
Total Grazing Acres: (G):	408.93
Total Parcel Acreage:	**632.6**

Irrigated Land Questionnaire
Please return to us within 30 days.

General

If you own irrigated land, we ask you to complete two additional steps.

1. Review the photomaps to verify the correct irrigation type and acreage.
2. Provide us with your 2007 energy cost information.

Review of photomaps

For each parcel you own, a parcel ID (geocode) and a short legal description are displayed on the bottom of each photomap and on the irrigated land questionnaire. The questionnaire for each parcel ID includes the irrigation type based on our review and acreage information from the photomaps.

Please review the preliminary identification of the type of irrigation used on your fields.

I/F = **Flood** – includes gravity; gated pipe; furrow border dikes and ditches; and hand lines.

I/S = **Sprinkler** – includes towlines, side rolls and lateral sprinklers.

I/P = **Pivot** – includes all pivots such as center pivots, corner pivots and lateral movers.

Please review the estimated number of acres of irrigated land in each parcel ID.

If you believe corrections are needed, please indicate the correct irrigation type and/or correct acreage by writing it on the photomaps and on the questionnaire. Any changes you make should reflect the status of each parcel for calendar year 2008. Bring the corrected maps and questionnaire to our local appraisal office.

Energy cost information

The questionnaire pertains to the 2007 energy costs per acre for your irrigated land. In addition to other irrigation costs identified in Montana laws, you are also allowed to deduct the actual energy cost used in your irrigated operation.

In the space provided, please enter your 2007 energy cost per acre for each irrigation method. Costs must be for the actual calendar year 2007 electrical or fuel costs for applying water to the land. The costs should not include any depreciation of equipment, maintenance, operation and maintenance charges from an irrigation district or company or other non-energy related expenses.

- Electric – please verify your energy costs by providing us with copies of your 2007 electrical statements.
- Gas, diesel or other fuels – please send us a fuel bill calculation based on your knowledge of fuel consumption by the various irrigation pumps on your property.

If you do not provide cost information to us, the result could be a higher per-acre assessed value. Without information from you, we will assign a minimum water cost of $19.99 per acre to your irrigated land.

Fergus County Department of Revenue Office
712 West Main Street
Lewistown, MT 59457-2599

Owner Name: <Owner Name>

Owner Address: <Address1> <Address2>

INSTRUCTIONS: The information presented below displays the parcel ID, short legal description, irrigated acreage and the type of irrigation currently on file with the Department of Revenue (DOR) for the irrigated lands in your ownership. If there are changes to the irrigated acres or the irrigation type, please indicate those changes in the spaces provided. For changes to acreage or irrigation type, please use the column with "Corrected" in its title.

Also enter your 2007 Energy Cost per Acre for each irrigation type in the space provided for you. If you irrigate parcels that are not indicated below, or if we have the wrong acres or irrigation type, please provide us with a brief description, the number of irrigation acres by irrigation type, and the total energy cost for each irrigation type. The changes should reflect the status of the property for the calendar year 2008. Please submit copies of the 2007 electrical or fuel bills that support the energy costs you've indicated.

SHADED AREA IS FOR EXAMPLE PURPOSES ONLY						
Parcel ID (geocode)	**Short Legal Description**	**DOR Irrigation Acres**	**Corrected Irrigation Acres**	**DOR Irrigation Type**	**Corrected Irrigation Type**	**2007 ENERGY Cost per Acre**
43169105101010010	T06 N R02 E S15	100.338	103	F	P	18.56
08123456789012345	T__ N R__ E S__	16.231		F		
08123456789012345	T__ N R__ E S__	7.816		F		

The Department of Revenue (DOR) is unable to allow an energy cost deduction if the questionnaire is not returned within 30 days. Without 2007 energy cost information, we will automatically assign a minimum water cost of $19.99 per acre to your irrigated land. If you have any questions, please call your local DOR office at 712 West Main Street, Lewistown, MT 59457-2599.

Signature: _____ **Date:** _____

Please use the back side of this form for additional entries.

Use the space below to enter additional entries.

SHADED AREA IS FOR EXAMPLE PURPOSES ONLY						
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